

## Message Text

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ACTION CTME-00

INFO OCT-01 NEA-10 ISO-00 TRSE-00 EB-08 COME-00  
CIAE-00 INR-10 NSAE-00 L-03 JUSE-00 USSS-00 /032 W  
-----054396 311139Z /23

R 310325Z MAR 78  
FM AMEMBASSY COLOMBO  
TO AMCONSUL HONG KONG  
INFO SECSTATE WASHDC 9942

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HONG KONG FOR V.J. RENAGHAN, SENIOR CUSTOMS REPRESENTATIVE

E.O. 11652: N/A  
TAGS: EFIN, CE

SUBJ: CURRENCY CONTROLS IN SRI LANKA

REF: RENAGHAN MEMO OF FEB. 13, 1978 (INV 32-01 I:S:HK)

1. THE REFERENCED MEMO REQUESTED THE EMBASSY TO FORWARD TO THE SENIOR CUSTOMS REPRESENTATIVE INFORMATION ON CURRENCY CONTROLS IN SRI LANKA IN CONNECTION WITH ENFORCEMENT OF THE U.S. CURRENCY CONTROL ACT, WHICH REQUIRES REPORTING TRANSFERS OF \$5000 OR MORE INTO OR OUT OF THE UNITED STATES.

2. THE EMBASSY IS POUCHING TO HONG KONG AND THE DEPARTMENT COPIES OF CENTRAL BANK OPERATING INSTRUCTIONS TO AUTHORIZED FOREIGN EXCHANGE DEALERS ISSUED SINCE THE EXCHANGE LIBERALIZATION OF NOVEMBER 15, 1977 (SEE 77 COLOMBO 4452 - NOTAL). OF GREATEST INTEREST TO CUSTOMS ARE INSTRUCTIONS NO. EC/43/77(D) ON NON-RESIDENT ACCOUNTS AND EC/55/77(D) ON BANK RETURNS.

3. THE PROVISIONS FOR NON-RESIDENT ACCOUNTS ALLOW FOREIGNERS AND SRI LANKAN NATIONALS RESIDENT OUTSIDE THE COUNTRY TO FREE-  
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LY DEPOSIT FOREIGN EXCHANGE IN LOCAL ACCOUNTS. OUTWARD REMITTANCES FROM THESE ACCOUNTS REQUIRE PRIOR CENTRAL BANK APPROVAL. THE INSTRUCTIONS ON BANK RETURNS SPECIFY THAT ALL PURCHASES OF FOREIGN CURRENCY IN AMOUNTS OF RS. 32,000 (APPROXIMATELY \$2,100 AT THE CURRENT EXCHANGE RATE) OR MORE MUST BE REPORTED TO THE CENTRAL BANK.

4. A.R. FERNANDO, CENTRAL BANK CONTROLLER OF EXCHANGE, TOLD THE ECON OFFICER THAT WITH THE NOVEMBER 15 LIBERALIZATION, CONTROL OVER INFLOWS OF FOREIGN EXCHANGE (INCLUDING BEARER INSTRUMENTS) IS NOW LARGELY IN THE HANDS OF THE COMMERCIAL BANKS. THE BANKS, HOWEVER, ARE REQUIRED TO MAINTAIN FULL RECORDS TO WHICH THE CENTRAL BANK HAS ACCESS AT ALL TIMES. FERNANDO SAID HE SAW NO REASON WHY THERE COULD NOT BE A FREE EXCHANGE OF INFORMATION WITH U.S. AUTHORITIES ON LARGE CURRENCY MOVEMENTS.

5. FERNANDO ALSO SAID, HOWEVER, THAT IT IS NOT YET CLEAR WHAT IF ANY JURISDICTION THE CENTRAL BANK WILL HAVE OVER BANKS LOCATED IN THE RECENTLY ESTABLISHED FREE TRADE ZONE. SECTION 25 OF THE ZONE LEGISLATION AUTHORIZES BANKING INSTITUTIONS WITHIN THE ZONE TO "OPERATE SECRET NUMBERED BANKING ACCOUNTS OF CONSTITUENTS WHO ARE NOT CITIZENS OF SRI LANKA." THE LAW ALSO STATES THAT "THE IDENTITY OF THE SECRET NUMBERED ACCOUNT SHALL BE ABSOLUTELY INVIOLEATE TO ANY COURT, INSTITUTION, ENTITY, DEPARTMENT, OFFICIAL, AGENT OR REPRESENTATIVE OF THE GOVERNMENT OR ANY FOREIGN GOVERNMENT OR ANY OTHER LEGAL OR NATURAL PERSON." CRIMINAL PENALTIES ARE PROVIDED FOR DISCLOSURES OF INFORMATION ABOUT SUCH ACCOUNT. THE FULL TEXT OF THE LAW AS SENT TO THE DEPARTMENT UNDER COVER OF A-21, FEBRUARY 28, 1978; A COPY IS BEING POUCHED TO HONG KONG.

6. NO BANKS HAVE YET BEEN ESTABLISHED IN THE FREE TRADE ZONE.  
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IT IS THE EMBASSY'S UNDERSTANDING THAT IF AND WHEN BANKS DO BEGIN OPERATIONS WITHIN THE ZONE, THEY WILL BE ESSENTIALLY BEYOND GOVERNMENT CONTROL OR SUPERVISION. THERE WOULD BE NO WAY TO MONITOR CAPITAL FLOWS THROUGH THESE BANKS.  
DEBOLD

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NNN

## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CURRENCY CONTROLS  
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**Draft Date:** 31 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
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**Original Handling Restrictions:** n/a  
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**TAGS:** EFIN, CE  
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**Review Markings:**  
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